

8012
RECORDATION NO. Filed & Recorded

JUL 30 1975 - 10 05 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT—TRUST DEED

Dated as of February 1, 1975

FROM

TRUST COMPANY FOR USL, INC.

As Trustee Under

U. C. Trust No. 11

Debtor

TO

HARRIS TRUST AND SAVINGS BANK

As Security Trustee

Secured Party

TABLE OF CONTENTS

<u>Section</u>	<u>Description</u>	<u>Page</u>
PARTIES		1
RECITALS		1
1. GRANT OF SECURITY		2
1.01. Charter Collateral		2
1.02. Railroad Equipment Collateral		3
1.03. Lease Collateral		3
1.04. Option Price Collateral		3
1.05. Permitted Encumbrances		4
1.06. Duration of Security Interest		4
1.07. Excepted Rights in Collateral		4
2. REGISTRATION OF NOTES		5
2.01. Registration and Execution		5
2.02. Payment of the Notes		5
2.03. The Register		6
2.04. Transfers and Exchanges of Notes; Lost or Mutilated Notes		6
2.05. The New Notes		7
2.06. Cancellation of Notes		8
2.07. Secured Party as Agent		8
2.08. Registered Owner		8
3. COVENANTS AND WARRANTIES OF THE TRUST		8
3.01. Debtor's Duties		8
3.02. Warranty of Title		8
3.03. Further Assurances		8
3.04. After-Acquired Property		9
3.05. Recordation and Filing		9
3.06. Actions with Respect to Collateral		9
3.07. Power of Attorney in Respect of the Charter, the Lease and the Tax Indemnity Agreement		10
4. POSSESSION, USE AND RELEASE OF PROPERTY		10
4.01. Possession and Use of Collateral		10
4.02. Release of Equipment		10
4.03. Release of Equipment—Consent of Noteholders		10
4.04. Release of Equipment—Expiration of Term		10
4.05. Protection of Purchaser		11
5. PREPAYMENTS, APPLICATION OF ASSIGNED RENTS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY		11
5.01. Voluntary Prepayment		11
5.02. Application of Rents		11
5.03. Application of Casualty Value and Termination Value Pay- ments		12
5.04. Present Value of Rent		12
5.05. Application of Purchase Price		13
5.06. Application of Limitation Value Payment		13
5.07. Application of Payments in Respect of "Subordinated Oblig- ations"		13
5.08. Default		13

<u>Section</u>	<u>Description</u>	<u>Page</u>
6.	DEFAULTS AND OTHER PROVISIONS	13
6.01.	Events of Default	13
6.02.	Secured Party's Rights	14
6.03.	Acceleration Clause	15
6.04.	Waiver by Debtor	15
6.05.	Effect of Sale	15
6.06.	Application of Sale Proceeds	16
6.07.	Discontinuance of Remedies	16
6.08.	Cumulative Remedies	16
7.	THE SECURED PARTY	17
7.01.	Certain Duties and Responsibilities of Secured Party	17
7.02.	Certain Limitations on Secured Party's Rights to Compensation and Indemnification	18
7.03.	Certain Rights of Secured Party	18
7.04.	Showings Deemed Necessary by Secured Party	19
7.05.	Status of Moneys Received	20
7.06.	Secured Party To Be Approved Trustee	20
7.07.	Resignation of Secured Party	20
7.08.	Removal of Secured Party	20
7.09.	Successor Secured Party	20
7.10.	Appointment of Successor Secured Party	20
7.11.	Merger or Consolidation of Secured Party	21
7.12.	Conveyance Upon Request of Successor Secured Party	21
7.13.	Acceptance of Appointment by Successor Secured Party	21
8.	LIMITATIONS OF LIABILITY	21
9.	RELATIVE POSITION OF SECURITY AGREEMENT	22
10.	SUPPLEMENTAL SECURITY AGREEMENTS; WAIVERS	22
10.01.	Supplemental Security Agreements Without Noteholders' Con- sent	22
10.02.	Waivers and Consents by Noteholders; Supplemental Security Agreements with Noteholders' Consent	23
10.03.	Notice of Supplemental Security Agreements	23
10.04.	Opinion of Counsel Conclusive as to Supplemental Security Agreements	23
11.	MISCELLANEOUS	24
11.01.	Successors and Assigns	24
11.02.	Partial Invalidity	24
11.03.	Communications	24
11.04.	Release	25
11.05.	Counterparts	25
11.06.	Headings and Table of Contents	25
11.07.	Law Governing	25

SCHEDULE A—Description of Railroad Equipment

SECURITY AGREEMENT-TRUST DEED

(U. C. Trust No. 11)

THIS SECURITY AGREEMENT-TRUST DEED, dated as of February 1, 1975 (the "Security Agreement"), from TRUST COMPANY FOR USL, INC., not in its individual capacity but solely as Trustee under the Trust Agreement referred to in the following Recital A hereof (the "Debtor"), whose Post Office address is 1211 West 22nd Street, Oak Brook, Illinois 60521, to HARRIS TRUST AND SAVINGS BANK (the "Secured Party"), whose principal office is at 111 West Monroe Street, Chicago, Illinois 60690.

RECITALS:

A. Pursuant to the authorities and directions contained in the Trust Agreement dated as of February 1, 1975 (the "Trust Agreement") among the Debtor, United States Leasing International, Inc., as agent for the Debtor (the "Agent"), and Ford Motor Credit Company, as trustor and beneficiary (the "Trustor"), the Debtor has entered into separate Loan Agreements, each dated as of February 1, 1975 (the "Loan Agreements"), with the Lenders named in Schedule A thereto (the "Lenders") providing for the several commitments of the Lenders to make loans to the Debtor from time to time on or before January 1, 1978, not exceeding the aggregate principal amount set opposite the name of each Lender in said Schedule A to be evidenced by the 9% Secured Notes (the "Notes") of the Debtor, to be dated the date of issue, to be payable semi-annually on the thirtieth day of January and July in each year and to be substantially in the forms attached to the Loan Agreements as Exhibit 1A and Exhibit 1B. The Notes will be issued as Notes of the Marine Equipment Class (the "Marine Equipment Notes") and Notes of the Railroad Equipment Class (the "Railroad Equipment Notes"), and in separate Series of each Class on each Closing Date under the Loan Agreements. Notes of each Series of Marine Equipment Notes shall be expressed to mature in forty semi-annual installments with the final installment being due not more than twenty years and seven months after the date of issue, but in no event later than January 30, 1998. Notes of each Series of Railroad Equipment Notes shall be expressed to mature in fifty semi-annual installments with the final installment being due not more than twenty-five years and seven months after the date of issue, but in no event later than January 30, 2003.

B. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Loan Agreements are hereinafter sometimes referred to as "indebtedness hereby secured".

C. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed. It is the intention of the parties hereto that this Agreement shall constitute a mortgage of the Railroad Equipment and assignment of the Lease (both as defined in Section 1.02 hereof) for purposes of Section 20c of the Interstate Commerce Act.

THE SECURED PARTY DOES HEREBY DECLARE THAT it will hold in trust for the benefit of the holders of the Notes all the right, title and interest in and to the separate First Preferred Ship Mortgages (hereinafter referred to collectively as the "Mortgages" and individually as a "Mortgage") executed and delivered by the Debtor pursuant to Section 4.04

of the Loan Agreements, together with all right, title and interest thereby granted, conveyed, or mortgaged in the vessels (hereinafter referred to collectively as the "Vessels" and individually as a "Vessel") chartered and delivered and to be chartered and delivered under that certain Charter Agreement dated as of February 1, 1975 (the "Charter") between the Debtor, as Owner and Union Carbide Corporation, a New York corporation (the "Company"), as Charterer, and all proceeds and avails thereof and of the other Collateral described in Sections 1.01, 1.02, 1.03 and 1.04 hereof.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Loan Agreements contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Secured Party, its successors in trust and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.01, 1.02, 1.03 and 1.04 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to, together with the Mortgages, as the "Collateral"):

1.01. CHARTER COLLATERAL. Collateral includes all right, title, interest, claims and demands of the Debtor as owner in, to and under the Charter, including all extensions of the term of the Charter, together with all rights, powers, privileges, options and other benefits of the Debtor as owner under the Charter, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.07 hereof:

(a) the immediate and continuing right to receive and collect all Basic Charter Hire (excepting and reserving, however, 28% of all Interim Charter Hire), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the owner under the Charter pursuant thereto,

(b) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications, and

(c) to take such action upon the occurrence of an Event of Default under the Charter, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Charter or by law, and to do any and all other things whatsoever which the Debtor or any owner is or may be entitled to do under the Charter;

it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.07 hereof, the grant to the Secured Party of a security interest in said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said Charter Hire and other sums for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.02. RAILROAD EQUIPMENT COLLATERAL. Collateral also includes the railroad equipment described in Schedule A attached hereto and made a part hereof which is leased and delivered under that certain Lease of Railroad Equipment dated as of February 1, 1975 (the "Lease") between the Debtor, as Lessor, and the Company, as Lessee (such railroad equipment being hereinafter referred to collectively as the "Railroad Equipment" and individually as an "Item of Railroad Equipment"), together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Railroad Equipment hereinabove described, whether now owned or hereafter acquired, and all substitutions, renewals, or replacements of and additions, improvements, accessions and accumulations to any and all of said Railroad Equipment together with all the rents, issues, income, profits and avails therefrom, *subject, however, to Permitted Encumbrances referred to in Section 1.05 hereof.*

1.03. LEASE COLLATERAL. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.07 hereof:

(a) the immediate and continuing right to receive and collect all Basic Rent (excepting and reserving, however, 26% of all Interim Rent), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto,

(b) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications, and

(c) to take such action upon the occurrence of an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease;

it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.07 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said Basic Rent and other sums for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.04. OPTION PRICE COLLATERAL. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under Section 6 of the Tax Indemnity Agreement dated as of February 1, 1975 (the "Tax Indemnity Agreement") among the Trustor, the Debtor and the Company, including without limitation the right to receive the purchase price of the Equipment or of the interest of the Trustor therein pursuant to said Section 6, it being the intent and purpose hereof that the grant to the Secured Party of a security interest in said rights, claims and demands shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all amounts payable by the Company under said Section 6 for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.05. PERMITTED ENCUMBRANCES. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Company under the Charter and the Lease, (b) the lien of current taxes and assessments not in default, or, if delinquent, the validity of which is being contested in good faith, and (c) liens and charges permitted by Section 9.01 of the Lease and by Section 9.01 of the Charter (collectively "Permitted Encumbrances").

1.06. DURATION OF SECURITY INTEREST. The Secured Party, its successors in trust, and assigns, shall have and hold the Collateral forever for the equal and pro rata benefit and security of the Notes and the other indebtedness hereby secured, without preference, priority or distinction of any Note over any other Note of any Class or Series by reason of priority in the time of issue, sale, negotiation, date of maturity thereof or otherwise for any cause whatsoever; provided always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Loan Agreements and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

1.07. EXCEPTED RIGHTS IN COLLATERAL. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral"):

(a) all rights of the Debtor under the Charter and the Lease to enter into amendments, waivers and consents with respect to (i) the last sentence of Section 17.02 of the Charter relating to the assignment or subchartering of any Vessel to any person who is not a United States person within the meaning of Section 861(e) of the Internal Revenue Code or (ii) clause (i) of the first sentence of Section 17.02 of the Lease with respect to the percentage of use of the Railroad Equipment outside the United States;

(b) all payments of any indemnity under Section 6 of the Charter or the Lease which by the terms of the Charter or the Lease are payable to the Debtor or the Trustor for its own account;

(c) all rights of the Debtor and the Trustor under the Charter or the Lease to demand, collect, sue for or otherwise obtain all amounts from the Company due the Debtor or the Trustor on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (c) shall not be deemed to include the exercise of any remedies provided for in Section 14.02 of the Charter or the Lease;

(d) if an Event of Default under the Charter or the Lease based solely on a breach of any covenant of the Company to pay any such indemnity shall occur and be continuing, the right of the Debtor to declare that an Event of Default exists under the Charter or the Lease and the right of the Debtor or the Trustor to exercise the remedies, but only those remedies, provided for in Section 14.02(1) of the Charter or the Lease to enforce performance by the Company of any covenants of the Company to pay any such indemnity or payment directly to the Debtor or the Trustor or to recover damages for the breach thereof; and

(e) any insurance proceeds payable under general public liability policies maintained by the Company pursuant to Section 11.12 of the Charter or the Lease which by the terms of such policies or the terms of the Charter or the Lease are payable directly to the Debtor or the Trustor for its own account.

SECTION 2. REGISTRATION OF NOTES.

2.01. REGISTRATION AND EXECUTION. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President who, at the actual date of execution of such Note, shall be a proper officer of the Debtor. Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit 1A and Exhibit 1B to the Loan Agreements shall be entitled to the benefits of this Security Agreement or be valid or obligatory for any purpose. Such certificate by the Secured Party upon any Note executed by the Debtor shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Security Agreement. The authentication by the Secured Party of any Note issued hereunder shall not be construed as a representation or warranty by the Secured Party as to the validity or security of this Security Agreement or of such Note, and the Secured Party shall in no respect be liable or answerable for the use made of such Note or the proceeds thereof. The Secured Party shall, upon presentation to it of Notes duly executed on behalf of the Debtor, authenticate such Notes upon the written request of the Debtor so to do and shall thereupon deliver such Notes to or upon the written order of the Debtor signed by a Vice President of the Debtor.

2.02. PAYMENT OF THE NOTES. (a) The principal of, premium, if any, and interest on the Notes shall be payable at the principal corporate trust office of the Secured Party, in lawful money of the United States of America. Payment of principal and interest on the Notes shall be made only upon presentation of such Notes to the Secured Party for notation thereon of the amount of such payment.

(b) Notwithstanding the foregoing provisions of paragraph (a) of this Section 2.02, if any Note is registered in the name of a Lender or a nominee thereof, or registered in the name of any subsequent holder named in a written notice from the Debtor to the Secured Party and stating that the provisions of this paragraph shall apply, the Secured Party shall make payment of interest on such Notes and shall make payments or prepayments (except in the case of a payment or prepayment which will discharge all indebtedness of the Debtor evidenced by such Note) of the principal thereof, and any premium, by check, duly mailed, by first-class mail, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 2.03 hereof and such holder (or the person for whom such holder is a nominee) will, before selling, transferring or otherwise disposing of such Note, present such Note to the Secured Party for transfer and notation as provided in Sections 2.04 and 2.05 hereof. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. The Secured Party is authorized to act in accordance with the foregoing provisions and shall not be liable or responsible to any such holder or to the Debtor or to any other person for any act or omission on the part of the Debtor or such holder in connection therewith.

(c) So long as any Note is registered in the name of a Lender or a nominee thereof, the Secured Party will, upon written notice from such Lender or its nominee given not less than 20 days prior to the payment or prepayment of the Notes, cause all subsequent payments and prepayments of the principal of, and interest and premium, if any, on the Notes registered in the name of such Lender or its nominee to be made to any bank in the continental United States as shall be specified in such notice by wire transfer in Federal Reserve or otherwise im-

mediately available funds to such bank at 11:00 A.M., Chicago time, on each such date such payment or prepayment is due.

(d) If the amount necessary to make any payment of the principal of, premium, if any, or interest due on any of the Notes shall have been deposited with the Secured Party for the account of the holder or holders of such Notes on or before the day such payment is due, and all conditions precedent, if any, for the making of such payment shall have been satisfied by the Debtor, the Debtor and the Secured Party shall be privileged to consider such payment to have been made to the holder or holders of such Notes, and interest on the amount of such payment shall cease to accrue on the date such payment is due, and the Debtor shall thereupon be discharged from further liability in respect of such payment. In case any question shall arise as to whether any condition precedent to any such payment shall have been duly satisfied by the Debtor, or such payment effected, such question shall be decided by the Secured Party, and the decision of the Secured Party shall be final and binding upon all parties in interest. No holder of any Note shall be entitled to any interest on money deposited for any payment on such Note.

2.03. THE REGISTER. The Debtor shall cause to be kept at the principal office of the Secured Party a register for the registration and transfer of Notes (herein called the "Register"). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

2.04. TRANSFERS AND EXCHANGES OF NOTES; LOST OR MUTILATED NOTES. (a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate trust office of the Secured Party. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes of like tenor and class in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the Secured Party for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal corporate trust office of the Secured Party, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$10,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes of like tenor and class in the denomination or denominations so requested and in aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to the Secured Party for authenticated delivery to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor or by the Secured Party) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Secured Party, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor and the Secured Party shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 2.04, and the holder of any Note issued as provided in this Section 2.04 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note of like tenor and class in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor and to the Secured Party such security or indemnity as may be required by them to save each of them harmless from all risks, and the applicant shall also furnish to the Debtor and to the Secured Party evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor and to the Secured Party such security or indemnity as they may require to save them harmless, and shall evidence to the satisfaction of the Debtor and the Secured Party the mutilation, destruction, loss or theft of such Note and the ownership thereof. If a Lender, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the President, any Vice President, Treasurer or Assistant Treasurer, Secretary or Assistant Secretary of such Lender setting forth the fact of loss, theft or destruction and of its ownership of such Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no security or indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Lender to indemnify the Debtor and the Secured Party (including their attorneys' fees) for any claims or actions against them resulting from the issuance of such new Note.

2.05. THE NEW NOTES. (a) Each new Note (herein, in this Section 2.05, called a "New Note") issued pursuant to Section 2.04(a), (b) or (e) hereof in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 2.05, called an "Old Note") shall be dated the date of such Old Note. The Secured Party shall mark on each New Note (i) the date to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 2.04(a), (b) or (e) hereof, the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge and, except in the case of a transfer or exchange of a Note by a Lender, any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 2.04(a), (b) or (e) hereof in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Debtor shall deliver to the Secured Party two copies of an amortization schedule with respect to such

Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment. The Secured Party shall deliver, or send by first-class mail, postage prepaid, one copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

2.06. CANCELLATION OF NOTES. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Secured Party for cancellation or, if surrendered to the Secured Party, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement. The Secured Party shall deliver a certificate to the Debtor specifying any cancellation of Notes which has been made, and all such cancelled Notes shall be delivered to or disposed of as directed by the Debtor.

2.07. SECURED PARTY AS AGENT. The Secured Party is hereby appointed the agent of the Debtor for the payment, registration, transfer and exchange of Notes. Subject to the provisions of Section 2.02 hereof, Notes may be presented for payment at, and notices or demands with respect to the Notes or this Security Agreement may be served or made at, the principal corporate trust office of the Secured Party.

2.08. REGISTERED OWNER. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and neither the Debtor nor the Secured Party shall be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor and the Secured Party may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

SECTION 3. COVENANTS AND WARRANTIES OF THE TRUST.

The Debtor covenants, warrants and agrees as follows:

3.01. DEBTOR'S DUTIES. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Loan Agreements, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Loan Agreements were fully set out in an amendment or supplement to this Security Agreement.

3.02. WARRANTY OF TITLE. The Debtor has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only Permitted Encumbrances).

3.03. FURTHER ASSURANCES. Upon the request in writing of the Secured Party, the Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the Charter Hire and other sums due and to become due under the Charter

and the Rents and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will notify the Company in the manner and form specified by the Secured Party of such security interest pursuant to Section 16 of the Charter and the Lease and that, subject to the exceptions and reservations referred to in Sections 1.01 and 1.03 hereof, it will direct the Company to make all payments of such Charter Hire and other sums due and to become due under the Charter and such Rents and other sums due and to become due under the Lease directly to the Secured Party or as the Secured Party may direct.

3.04. AFTER-ACQUIRED PROPERTY. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall *ipso facto*, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.04 contained shall be deemed to modify or change the obligation of the Debtor under Section 3.03 hereof.

3.05. RECORDATION AND FILING. The Debtor will cause this Security Agreement, the Charter and the Lease and all supplements hereto or thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places in the United States as may be required in order fully to preserve and protect under the laws of the United States the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

3.06. ACTIONS WITH RESPECT TO COLLATERAL. The Debtor will not:

(a) except as permitted by the provisions of Section 1.07 hereof, declare a default or exercise the remedies of the Owner under, or terminate, modify or accept a surrender of, or offer or agree to any modification, surrender or termination of, the Charter (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Charter or any part thereof; or

(b) receive or collect or permit the receipt or collection of any Charter Hire payment under the Charter prior to the date for payment thereof provided for by the Charter or assign, transfer or hypothecate (other than to the Secured Party hereunder or to any successor Trustee under the Trust Agreement referred to above) any Charter Hire payment then due or to accrue in the future under the Charter; or

(c) except as permitted by the provisions of Section 1.07 hereof, declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any modification, surrender or termination of, the Lease (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof; or

(d) receive or collect or permit the receipt or collection of any Basic Rent and other sums assigned under Section 1.01 and Section 1.03 hereof payment under the Lease prior to the date for the payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder or to any successor Trustee under the Trust Agreement referred to above) any Basic Rent and other sums assigned under Section 1.01 and Section 1.03 hereof payment then due or to accrue in the future under the Lease; or

(e) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder or to any successor Trustee under the Trust Agreement referred to above) its interest in the Vessels or the Railroad Equipment (the Vessels and the Railroad Equipment being hereinafter referred to collectively as the "Equipment" and individually as an "Item of Equipment") or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

3.07. POWER OF ATTORNEY IN RESPECT OF THE CHARTER, THE LEASE AND THE TAX INDEMNITY AGREEMENT. Subject always to the provisions of Section 1.07 hereof, the Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, (i) to ask, demand, collect, receive and receipt for any and all Basic Charter Hire, Basic Rent and other sums which are assigned under Section 1.01, Section 1.03 and Section 1.04 hereof and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and (ii) without limiting the provisions of the foregoing clause (i) hereof, during the continuance of any Event of Default under this Security Agreement, to sue for, compound and give acquittance for, settle, adjust or compromise any claim for any and all such Basic Charter Hire, Basic Rent and other sums assigned under Section 1.01 and Section 1.03 hereof as fully as the Debtor could itself do, in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such Basic Charter Hire, Basic Rent and other sums and the security intended to be afforded hereby.

SECTION 4. POSSESSION, USE AND RELEASE OF PROPERTY.

4.01. POSSESSION AND USE OF COLLATERAL. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Company under and subject to the Charter or, as the case may be, the Lease shall not constitute a violation of this Section 4.01.

4.02. RELEASE OF EQUIPMENT. So long as no Event of Default referred to in Section 6 hereof has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Company for settlement pursuant to Section 11 of the Charter or, as the case may be, the Lease upon receipt of: (i) written notice from the Company designating the Item of Equipment in respect of which the Charter or, as the case may be, the Lease will terminate, and (ii) settlement by the Company for such Item of Equipment in compliance with Section 11 of the Charter or, as the case may be, the Lease.

4.03. RELEASE OF EQUIPMENT—CONSENT OF NOTEHOLDERS. In addition to the sale, exchange or release pursuant to the foregoing Section 4.02, the Debtor may sell or otherwise dispose of any Item of Equipment then subject to the lien of this Security Agreement, and the Secured Party shall release the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the holder or holders of the indebtedness hereby secured.

4.04. RELEASE OF EQUIPMENT—EXPIRATION OF TERM. So long as no Event of Default referred to in Section 6 hereof has occurred and is continuing to the knowledge of the Secured

Party, the Secured Party shall execute a release in respect of any Item of Equipment in the event that the Note or Notes issued to finance the acquisition of such Item of Equipment have been fully paid and discharged.

4.05. PROTECTION OF PURCHASER. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 5. PREPAYMENTS, APPLICATION OF ASSIGNED RENTS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

5.01. VOLUNTARY PREPAYMENT. In addition to the prepayments required by Section 5.03 hereof, the Debtor shall have the privilege of prepaying the Notes in whole, but not in part, on the twentieth interest payment date with respect to the Notes issued on the final Closing Date under the Loan Agreements or on any interest payment date thereafter, upon thirty days prior written notice to the holder or holders thereof, by payment of the principal amount of the Notes and accrued interest thereon to the date of prepayment, together with a premium equal to the following respective percentages of the principal amount being prepaid:

If prepaid in the 12-month period commencing with interest payment date no.	Premium (Percentage of Principal Amount)
20	4.500%
22	4.125%
24	3.750%
26	3.375%
28	3.000%
30	2.625%
32	2.250%
34	1.875%
36	1.500%
38	1.125%
40	0.750%
42	0.375%
44 and thereafter	none

Upon the giving of such notice, the principal amount of all the Notes of such Series shall become due on the date fixed for prepayment.

5.02. APPLICATION OF RENTS. The amounts from time to time received by the Secured Party which constitute payment of the installments of Periodic Charter Hire under the Charter or Periodic Rent under the Lease shall be applied *first*, to the pro rata payment of the installments of principal and interest (and in each case first to interest and then to principal) on all Notes of both Classes and all Series which have matured or will mature on or before the due date of the installments of Periodic Charter Hire or Periodic Rent which are received by the Secured Party, and *second*, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor in immediately available funds promptly upon collection of such amounts by the Secured Party.

5.03. APPLICATION OF CASUALTY VALUE AND TERMINATION VALUE PAYMENTS. For convenience in administration of the security, each Note of each Series will list the Charter Supplements or, as the case may be, Lease Supplements covering the particular Items of Equipment financed with the proceeds of Notes of such Series. So long as no Event of Default as defined in Section 6 hereof has occurred and is continuing, the amounts from time to time received by the Secured Party which constitute settlement by the Company of the "Casualty Value" or the "Termination Value" of an Item of Equipment pursuant to Section 11 of the Charter or the Lease shall be ratably applied to the prepayment without premium of the Series of Notes listing the Charter Supplements or, as the case may be, Lease Supplement covering the particular Items of Equipment financed with the proceeds of Notes of such Series, all in such manner and in such amounts so that after giving effect to such application and the release of such Item of Equipment from the Charter or the Lease and lien of this Security Agreement:

(a) the aggregate principal amount remaining unpaid on such Series of Notes does not exceed the "Present Value of Rent" as hereinafter defined in respect of all other Items of Equipment financed with the proceeds of Notes of such Series which then remain subject to the Charter or the Lease and the security interest of this Security Agreement; and

(b) each of the remaining installments of each Note of such Series shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of such Note immediately prior to the prepayment.

Any amounts in excess of the Present Value of Rent in respect of any Item of Equipment for which settlement is made by the Company pursuant to Section 11 of the Charter or the Lease shall be released to or upon the order of the Debtor in immediately available funds promptly upon collection thereof by the Secured Party.

5.04. PRESENT VALUE OF RENT. The term "Present Value of Rent" for any Item of Equipment shall mean as of any date

(a) as to any Vessel, an amount equal to the aggregate Periodic Charter Hire in respect of such Vessel (after deducting from the first through sixth installment thereof an amount equal to 1.505% of the Total Cost [as defined in Section 2.02(a) of the Charter and the Lease] of such Vessel and from the seventh through fortieth installments thereof an amount equal to .5703% of the Total Cost of such Vessel and excluding the total amount of the forty-first and forty-second installments thereof) reserved for the balance of the term originally provided in the Charter and remaining unpaid as of the close of business on such date, discounted on the basis of a 9% per annum interest factor compounded semiannually from the respective dates on which Periodic Charter Hire is payable, with all such discounts to be computed on the basis of a 360-day year consisting of twelve consecutive 30-day months (the "Bond Basis"), and

(b) as to any Item of Railroad Equipment, an amount equal to the aggregate Periodic Rent in respect of such Item of Railroad Equipment (after deducting from the twenty-sixth through the fiftieth installments thereof an amount equal to 1.3917% of the Total Cost of such Item of Railroad Equipment and excluding the total amount of the fifty-first and fifty-second installments thereof) reserved for the balance of the term originally provided for in the Lease and remaining unpaid as of the close of business on such date, discounted on the basis of a 9% per annum interest factor compounded semiannually from the respective dates on which the Periodic Rent is payable, with all such discounts to be computed on the Bond Basis.

5.05. APPLICATION OF PURCHASE PRICE. Any amount received by the Secured Party which constitutes payment of the purchase price of the Equipment pursuant to Section 6 of the Tax Indemnity Agreement shall be applied *first*, to the payment to the holder or holders of the Notes of the amount then owing and unpaid on the Notes for principal and interest, and *second*, the balance, if any, of such amount shall be paid to or upon the order of the Debtor in immediately available funds promptly upon collection of such amount by the Secured Party.

5.06. APPLICATION OF LIMITATION VALUE PAYMENT. Any amount received by the Secured Party which constitutes payment of the Limitation Value of the Vessels pursuant to Section 26 of the Charter shall be applied *first* to the payment to the holder or holders of the Marine Equipment Notes of the amount then owing and unpaid on the Marine Equipment Notes for principal and interest, and *second*, the balance, if any, of such amount shall be paid to or upon the order of the Debtor in immediately available funds promptly upon collection of such amount by the Secured Party.

5.07. APPLICATION OF PAYMENTS IN RESPECT OF "SUBORDINATED OBLIGATIONS". Any amount constituting a payment in respect of Subordinated Obligations (as defined in Section 14 of the Tax Indemnity Agreement) which is received by the Secured Party pursuant to Section 14 of the Tax Indemnity Agreement by reason of the occurrence of an Event of Default under the Lease or the Charter shall be applied in the manner provided for in Section 6 hereof in respect of proceeds and avails of the Collateral; provided, however, that if prior to the date an application thereof is to be made under Section 6 hereof, such Event of Default under the Charter or the Lease has been remedied and no longer exists, the balance of such amount after making the application required by Section 6 hereof shall be promptly paid to or upon the order of the Debtor.

5.08. DEFAULT. If an Event of Default referred to in Section 6.01 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Sections 1.01, 1.03 and 1.04 hereof, and all amounts referred to in Section 5.07 hereof shall be applied in the manner provided for in Section 6 in respect of proceeds and avails of the Collateral.

SECTION 6. DEFAULTS AND OTHER PROVISIONS.

6.01. EVENTS OF DEFAULT. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest (and premium, if any) on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days;

(b) An "Event of Default" as set forth in Section 2.01 of any Mortgage;

(c) An "Event of Default" as set forth in Section 14 of the Charter or the Lease;

(d) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by it under this Security Agreement or the Loan Agreements, and such default shall continue unremedied for thirty days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied;

(e) Any representation or warranty made herein or in the Loan Agreements or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Charter, the Lease or the Loan Agreements, or the transactions

contemplated thereby shall prove to be false or misleading in any material respect as of the date of the issuance or making thereof and shall not be made good within thirty days after notice thereof from the Secured Party to the Debtor; or

(f) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Company is obligated to discharge under Section 9 of the Charter or the Lease) shall be asserted against or levied or imposed upon any Item of Equipment which is prior to or on a parity with the security interest granted hereunder and under the Mortgages, and such claim, lien or charge shall not be discharged or removed within thirty days after written notice from the Secured Party or the holder of any Note to the Debtor and the Company demanding the discharge or removal thereof.

6.02. SECURED PARTY'S RIGHTS. The Debtor agrees that when any Event of Default as defined in Section 6.01 has occurred and is continuing, but subject always to Section 8 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and, without limiting the foregoing, may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Secured Party may, and upon the written request of the holders of not less than 25% in principal amount of the Notes shall, by notice in writing to the Debtor, declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the then existing rights, if any, of the Company under the Charter and the Lease, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor or the Company, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or charter or lease the same until sold;

(c) Subject always to the then existing rights, if any, of the Company under the Charter and the Lease, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale

or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the then existing rights, if any, of the Company under the Charter and the Lease, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or, subject to the provisions of Section 8 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the then existing rights, if any, of the Company under the Charter and the Lease, the Secured Party may proceed to exercise all rights, privileges and remedies of the Owner under the Charter and the Lessor under the Lease, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

6.03. ACCELERATION CLAUSE. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note or Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

6.04. WAIVER BY DEBTOR. To the full extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereinafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction, nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and, to the full extent legally permitted, covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

6.05. EFFECT OF SALE. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand

whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Company under the Charter and the Lease).

6.06. APPLICATION OF SALE PROCEEDS. The purchase money proceeds and/or avails of any sale of the Collateral, or any part hereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) To the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes, to the extent such costs, expenses, liability and advances have not been paid by the Company pursuant to Section 6.01 of the Charter or Section 6.01 of the Lease, and to the payment of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) To the payment to the holder or holders of the Notes of the amount then owing and unpaid on the Notes for principal and interest and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid principal thereof, second, to unpaid premium, if any, thereon, and third, to unpaid interest thereon; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) To the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

6.07. DISCONTINUANCE OF REMEDIES. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

6.08. CUMULATIVE REMEDIES. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of

this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 7. THE SECURED PARTY.

7.01. CERTAIN DUTIES AND RESPONSIBILITIES OF SECURED PARTY. (a) Except during the continuance of an Event of Default:

(1) the Secured Party undertakes to perform such duties and only such duties as are specifically set forth in this Security Agreement and the Mortgages, and no implied covenants or obligations shall be read into this Security Agreement or the Mortgages against the Secured Party; and

(2) in the absence of bad faith on its part, the Secured Party may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Secured Party and conforming to the requirements of this Security Agreement, the Mortgages, the Charter or the Lease; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Secured Party, the Secured Party shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Security Agreement.

(b) In case an Event of Default has occurred and is continuing, the Secured Party shall exercise such of the rights and powers vested in it by this Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Security Agreement shall be construed to relieve the Secured Party from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Secured Party shall not be liable for any error of judgment made in good faith by an officer of the Secured Party unless it shall be proved that the Secured Party was negligent in ascertaining the pertinent facts;

(3) the Secured Party shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of two-thirds principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Secured Party, or exercising any trust or power conferred upon the Secured Party under this Security Agreement or the Mortgages; and

(d) no provision of this Security Agreement shall require the Secured Party to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Security Agreement relating to the conduct or affecting the liability of or affording protection to the Secured Party shall be subject to the provisions of this Section.

7.02. CERTAIN LIMITATIONS ON SECURED PARTY'S RIGHTS TO COMPENSATION AND INDEMNIFICATION. The Secured Party agrees that it shall have no right against the Debtor, the Trustor, the Lenders or the holders of any Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liabilities which it may incur in the exercise and performance of such powers and duties but on the contrary, shall look solely to the Company under Section 6.01 of the Charter and Section 6.01 of the Lease for such payment and indemnification and that it shall have no lien on or security interest in the Collateral as security for such compensation, expenses, disbursements and indemnification except to the extent provided for in Section 6.06(a) hereof.

7.03. CERTAIN RIGHTS OF SECURED PARTY. (a) The Secured Party shall not be responsible for any recitals herein or in the Loan Agreements or the Mortgages or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refiling of this Security Agreement or the Mortgages, or of any supplemental or further mortgage or trust deed, nor shall the Secured Party be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in the Loan Agreements or the Mortgages, and, except in the case of a default in the payment of the principal of, or interest or premium, if any, on any Note or a default of which the Secured Party has actual knowledge, the Secured Party shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from one of the holders of the Notes. The Secured Party shall promptly notify all holders of Notes of any default of which the Secured Party has actual knowledge. Upon receipt by the Secured Party of such written notice from a holder of a Note, the Secured Party shall promptly notify all other holders of Notes of such notice and the default referred to therein, by prepaid registered mail addressed to them at their addresses set forth in the Register.

(b) The Secured Party makes no representation or warranty as to the validity, sufficiency or enforceability of this Security Agreement, the Notes, the Loan Agreements or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with respect to, any Equipment or Item of Equipment or any substitute therefor. The Secured Party shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Security Agreement.

(c) The Secured Party may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor or the Company shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Secured Party, and signed in the name of the Debtor or the Company, as the case may be, by its Chairman of the Board, President, any Vice President, Treasurer or Secretary; and any resolution of the Board of Directors of the Debtor or the Company shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Secured Party.

(e) Whenever in the administration of the trust herein provided for the Secured Party shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Debtor and delivered to the Secured Party, and such certificate shall be full warrant to the Secured Party or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Secured Party may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Secured Party may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Secured Party, and the written advice of any thereof shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Secured Party shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Secured Party may involve loss, liability, or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Secured Party.

(h) The Secured Party shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Security Agreement.

(i) The Secured Party shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Secured Party may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Secured Party shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(k) The provisions of paragraphs (c) to (j), inclusive, of this Section 7.03 shall be subject to the provisions of Section 7.01 hereof.

7.04. SHOWINGS DEEMED NECESSARY BY SECURED PARTY. Notwithstanding anything elsewhere in this Security Agreement contained, the Secured Party shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement or the Mortgages, or any other action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information by the Secured Party deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

7.05. STATUS OF MONEYS RECEIVED. All moneys received by the Secured Party shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Secured Party under such general conditions as may be prescribed by law in the Secured Party's general banking department, and the Secured Party shall be under no liability for interest on any moneys received by it hereunder. The Secured Party and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation or the Company or any affiliated corporation, or the Secured Party may act as depository or otherwise in respect to other securities of the Debtor or any affiliated corporation or the Company or any affiliated corporation, all with the same rights which it would have if not the Secured Party.

7.06. SECURED PARTY TO BE APPROVED TRUSTEE. The Secured Party shall at all times be a bank or trust company which is a trustee approved by the Secretary of Commerce pursuant to Sections 9 and 37 of the Shipping Act, 1916, as amended, and Subsection O of the Ship Mortgage Act, 1920, as amended.

7.07. RESIGNATION OF SECURED PARTY. The Secured Party may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor and to the holders of the Notes at their addresses set forth in the Register. Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor secured party shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

7.08. REMOVAL OF SECURED PARTY. The Secured Party may be removed by:

(a) An instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Secured Party and to the Debtor; or

(b) Notice of Proposed Finding of Lack of Qualification of the Secured Party published by the Secretary of Commerce pursuant to General Order 107, as now or hereafter amended (46 CFR Part 221), which shall not have been withdrawn within five days after such publication.

7.09. SUCCESSOR SECURED PARTY. Each secured party appointed in succession of the Secured Party named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in the City of Chicago, Illinois, in good standing and having a capital and surplus aggregating at least \$50,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms and shall be a trustee approved by the Secretary of Commerce.

7.10. APPOINTMENT OF SUCCESSOR SECURED PARTY. In case at any time the Secured Party shall resign or be removed or become incapable of acting, a successor secured party may be appointed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding, by an instrument or instruments in writing executed by such holders and filed with such successor secured party.

Until a successor secured party shall be so appointed by the holders of the Notes, a successor secured party may be appointed by the Debtor by an instrument in writing executed by the Debtor and delivered to the successor secured party, or, upon application of the re-

tiring secured party, by any court of competent jurisdiction. Any successor secured party appointed pursuant to this paragraph shall immediately and without further act be superseded by a successor secured party appointed by the holders of a majority in aggregate principal amount of the Notes then outstanding.

7.11. MERGER OR CONSOLIDATION OF SECURED PARTY. Any company into which the Secured Party, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation to which the Secured Party or any successor to it shall be a party (provided such company shall be a trustee approved by the Secretary of Commerce and shall be a corporation organized under the laws of the State of Illinois or of the United States of America, having a capital and surplus of at least \$50,000,000), shall be the successor to the Secured Party under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as secured party under this Security Agreement.

7.12. CONVEYANCE UPON REQUEST OF SUCCESSOR SECURED PARTY. Should any deed, conveyance or instrument in writing from the Debtor be required by any successor secured party for more fully and certainly vesting in and confirming to such new secured party such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed, by the Debtor.

7.13. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR SECURED PARTY. Any new secured party appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment; and thereupon such new secured party, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as secured party herein; but nevertheless, upon the written request of the Debtor or of the successor secured party, the secured party ceasing to act shall execute and deliver an instrument transferring to such successor secured party, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the secured party so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such secured party to the successor secured party so appointed in its or his place.

SECTION 8. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Mortgages, the Loan Agreements, the Notes, the Charter, the Lease or any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Lenders nor the holder of any Note nor the Secured Party, nor the successors or assigns of any of said persons shall have any claim, remedy or right to proceed (in law or in equity) against the Debtor in its individual corporate capacity or against the Trustor or the Agent, or any incorporator or any past, present or future subscriber to the capital stock, or stockholder, officer or director of, the Debtor, the Trustor or the Agent (except in the case of the Debtor and the Agent for the gross negligence or willful misconduct of the Debtor or, as the case may be, the Agent) for the payment of any

deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever, from any source other than the Collateral described in this Security Agreement and in the Mortgages, and the Lenders and the holders of the Notes by acceptance thereof waive and release any liability of the Debtor in its individual corporate capacity, the Trustor and the Agent, and any incorporator or any past, present or future subscriber to the capital stock or stockholder, officer or director of the Debtor, the Trustor and the Agent (except in the case of the Debtor and the Agent for the gross negligence or willful misconduct of the Debtor or, as the case may be, the Agent), for and on the account of such indebtedness or such liability and the Lenders and the holders of the Notes agree to look solely to the Collateral described in this Security Agreement and in the Mortgages for the payment of said indebtedness or the satisfaction of such liability; *provided, however*, nothing herein contained shall limit, restrict or impair the right of the Secured Party hereunder to accelerate the maturity of the Notes upon a default thereunder or under the Mortgages or hereunder; to bring suit and obtain a judgment against the Debtor on the Notes (provided that neither the Debtor in its individual corporate capacity nor the Trustor nor the Agent, nor any incorporator or any past, present or future subscriber to the capital stock, or stockholder, officer or director, of the Debtor, the Trustor or the Agent, shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the Collateral described in this Security Agreement and any interest therein of the Debtor, the Trustor or the Agent, and the collateral described in the Mortgages) or to foreclose the lien hereof or of any Mortgage or otherwise realize upon the Collateral described in this Security Agreement and the collateral described in the Mortgages. Nothing contained herein shall be deemed to waive compliance by the Trustee, the Trustor or the Agent with any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, any other Federal securities law or any rule or regulation of the Securities and Exchange Commission.

SECTION 9. RELATIVE POSITION OF SECURITY AGREEMENT.

The security interest in the Railroad Equipment of this Security Agreement is expressly made subject and subordinate to the rights and privileges of the Company under the Lease.

SECTION 10. SUPPLEMENTAL SECURITY AGREEMENTS; WAIVERS.

10.01. SUPPLEMENTAL SECURITY AGREEMENTS WITHOUT NOTEHOLDERS' CONSENT. The Debtor and the Secured Party from time to time and at any time, subject to the restrictions in this Security Agreement contained, may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon the Debtor;

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, except

that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect; or

(d) for any other purpose not inconsistent with the terms of this Security Agreement, or to cure any ambiguity or cure, correct or supplement any defect or inconsistent provisions of this Security Agreement or any supplement;

and the Debtor covenants to perform all requirements of any such supplemental agreement. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Security Agreement, be waived or modified by such supplemental agreements, or otherwise.

10.02. WAIVERS AND CONSENTS BY NOTEHOLDERS; SUPPLEMENTAL SECURITY AGREEMENTS WITH NOTEHOLDERS' CONSENT. Upon the waiver or consent of the holders of at least 66⅔% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited, or omit the taking of any action required, by any of the provisions of this Security Agreement or any agreement supplemental hereto, or (b) the Debtor and the Secured Party may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any agreement supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental agreement shall (i) impair or affect the right of any holder to receive payments or prepayments of the principal of and payments of the interest and premium, if any, on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental agreement pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Secured Party, without the consent of the holders of all of the Notes at the time outstanding.

10.03. NOTICE OF SUPPLEMENTAL SECURITY AGREEMENTS. Promptly after the execution by the Debtor and the Secured Party of any supplemental agreement pursuant to the provisions of Section 10.01 or 10.02 hereof, the Secured Party shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first-class, postage prepaid, to each holder of the Notes. Any failure of the Secured Party to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

10.04. OPINION OF COUNSEL CONCLUSIVE AS TO SUPPLEMENTAL SECURITY AGREEMENTS. The Secured Party is hereby authorized to join with the Debtor in the execution of any such supplemental agreement authorized or permitted by the terms of this Security Agreement and to make the further agreements and stipulations which may be therein contained, and the Secured Party may receive an opinion of counsel as conclusive evidence that any supplemental agreement executed pursuant to the provisions of this Section 10 complies with the requirements of this Section 10.

SECTION 11. MISCELLANEOUS.

11.01. SUCCESSORS AND ASSIGNS. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

11.02. PARTIAL INVALIDITY. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid, provided that nothing contained in this Section 11.02 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual corporate capacity or the Trustor or the Agent under Section 8 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective permitted successors or assigns under said Section 8.

11.03. COMMUNICATIONS. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered postage prepaid, addressed as follows:

If to the Debtor:

Trust Company for USL, Inc.,
Trustee under U. C. Trust No. 11
1211 West 22nd Street
Oak Brook, Illinois 60521
(with copies of such notice to be sent to:
United States Leasing International, Inc.,
Agent for the Trustee under U. C. Trust No. 11
633 Battery Street
San Francisco, California 94111
Attention: *Vice President—Lease Underwriting Group*
and
Ford Motor Credit Company
The American Road
P.O. Box 1729
Dearborn, Michigan 48121
Attention: *Vice President—CIR Financing*)

If to the Secured Party:

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690
Attention: *Corporate Trust Division*

If to the Company:

Union Carbide Corporation
270 Park Avenue
New York, New York 10017
Attention: *Treasurer*
(with copies of such notice to be sent
Attention: *Vice President Distribution—*
Chemicals and Plastics
and
Attention: *Director of Corporate Distribution*)

If to the holder of any Notes: At its address for notices set forth in the Register or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

11.04. RELEASE. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

11.05. COUNTERPARTS. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

11.06. HEADINGS AND TABLE OF CONTENTS. Any headings or captions preceding the text of the several sections hereof and the Table of Contents are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.


11.07. LAW GOVERNING. This Security Agreement shall be construed in accordance with the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed, and Harris Trust and Savings Bank, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Secretaries.

[CORPORATE SEAL]

TRUST COMPANY FOR USL, INC.
as Trustee under U. C. Trust No. 11

Attest:



By 

Its

Debtor


[CORPORATE SEAL]

HARRIS TRUST AND SAVINGS BANK
As Trustee as aforesaid

Attest:



ASSISTANT SECRETARY

By 

Vice President

Secured Party

DESCRIPTION OF EQUIPMENT

<u>NUMBER OF ITEMS</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>
RAILROAD TANK CARS		
29	22,000 gallon, insulated, non-coiled (DOT 111A100W4)	RAIX 7015 through RAIX 7043 ✓
40	25,000 gallon, insulated, non-coiled (DOT 105A200W)	RAIX 2500 through RAIX 2539 ✓
54	20,000 gallon coiled, insulated (DOT 111A100W1)	RAIX 6401 through RAIX 6454 ✓
44	20,000 gallon, non-coiled, non- insulated (DOT 111A60ALW1)	RAIX 9077 through RAIX 9120 ✓
36	30,000 gallon, non-coiled, non- insulated (DOT 111A100W1)	RAIX 3330 through RAIX 3365 ✓
23	20,000 gallon, non-coiled, non- insulated (DOT 111A100W1)	RAIX 6378 through RAIX 6400 ✓

SCHEDULE A
(to Security Agreement—Trust Deed)